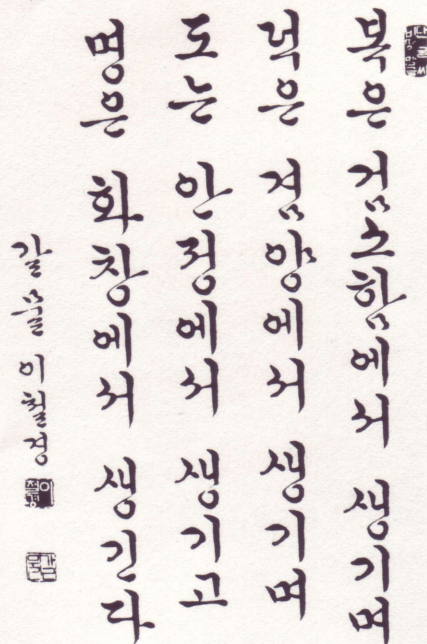


Cover:
Calligrapher Mrs Chul-Kyung Lee,
master of palace-style calligraphy.
A Korean saying in Han-gul script meaning,
'Fortune comes from frugality
Virtue comes from modesty
Truth comes from steadiness
Wisdom comes from brightness.'



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THE RISE OF THE PACIFIC

Sohail Inayatullah

The transition from an Atlantic, US-dominated world to a Pacific, Asian-led economic system seems closer than ever to realization. Based on a much larger study* Sohail Inayatullah traces the complex of technological, political and ideological factors pushing in the direction of the Pacific.

In contrast to many who dismiss China as an economic force until well into the twenty-first century, he sees China as not only rapidly catching up, but becoming the centre of this Pacific-based world order. With these changes will come a major redefinition of the values that underpin the economic system.

In such a world, the ability of both organizations and managers to adapt to technological and cultural diversity will determine their survival.

INTRODUCTION

While Wall Street rejoices over the year's profits, Washington contemplates the paradoxes of a world economy in transition: capitalism has survived and the 1990s promise a long wave of expansion through technological developments in electronics, aerospace, biotechnology, and energy, but this very expansion may leave the United States forever behind.¹

What we are seeing is a global shift in cultural, economic and political power from Atlantic to Pacific, a shift that is far deeper than current rhetoric over trade imbalances. It is a historic move which will not only lead to a change in who defines the world, but in the nature of the capitalist system itself.

This move from a New York-London-Paris axis to a Los Angeles-Tokyo-Beijing axis is accompanied by other trends which provide the context and impetus for the Pacific shift. These include:

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*The article is based on a larger study of the Pacific Shift. See, 'The Concept of the Pacific Shift,' *Renaissance Universal Journal*, 5, 2-3 (1986).

1. *The transition from industrial to post-industrial modes of production*, and technologies which are labour-saving, mind-enhancing and human gene changing and which promise to bring renewed vigour to the capitalist system. While the industrial revolution represented by print and automotive technology increased the power and wealth of Atlantic civilization, the information revolution in video and telecommunications technology may provide the impetus for the emerging Pacific Rim culture.

2. *The transition from the nation state as an organizing entity to a global society* where real governance is shaped by the policies of multinationals and the international bureaucracy (World Bank for example), or possibly by a global socialist system. The reality is that the nation state no longer gives security to its citizens, it cannot contain foreign capital, pollution, nor ideas.

3. *The transition from the predominance of the Western world view* (linear in thought, progress oriented and expansionist) *to the rise of the Pacific Asian perspective* (dialectical, change oriented and grounded in the unity of body, mind and nature).

MAGNITUDE OF THE SHIFT

The magnitude of this shift remains unclear and highly contentious. From a historical perspective, we may simply be moving from one global centre of financial activity to another or we may be moving from one era to another (nation state industrial to global scientific technological).

But even if it is 'simply' a change in who runs the world economy, Pacific civilization is fundamentally different from Atlantic civilization. Atlantic civilization has its own history and world view. Its legacy is Aristotle, Descartes and Newton; Locke, Adam Smith and Marx. Japanese and Chinese civilization as well as the four tigers (Korea, Singapore, Hong Kong and Taiwan) see the world differently. They remember Siddhartha Gautama, Confucius, Mao and Sony. They view time, conflict, the origination of the universe, the role of government, the individual, family and profit quite differently than

the West. However, what the Pacific Rim countries do certainly have, that the United States and Britain had, is a belief that it is their destiny and right to run the world. From their perspective, they have always been the centre of the planet: now it is simply their turn, their destiny to claim it.

What the Pacific rim countries have, that the United States and Britain had, is a belief that it is their destiny and right to run the world.

In addition, the origin of cultural trends and intellectual perspectives, in who defines the world, will shift to the Pacific. Those who run the world system as the United States has done not only enjoy the benefits of profits, but they also enjoy creating the rest of the world in their own image (Coca-Cola, McDonalds) thus paving the way for further expansion. Students from all over the world want to attend Ivy League universities; a world system run by Japan-China will see students flocking to Tokyo and Shanghai. They will then further reinforce the rise of Pacific civilization as they venture back to their own regions with their new-found knowledge. Already ASEAN nations (Indonesia, Malaysia, Philippines, Brunei, Singapore, Thailand) are imitating Japanese cultural and managerial patterns.

Power and trade blocks will shift and we may see a further strengthening of a Pacific division of labour with special trade agreements between Rim countries. These trade blocks will make penetration by US and European firms even more difficult. In the early 1980s Malaysia initiated a 'Look East' economic policy.

GROWTH RATES

Of course, this shift cannot be empirically verified as there are no future 'facts'. It is a long term change in power and world view. During the decline of the Roman empire few could see the transformation underway. American leaders still believe that they can return the United States to its prior glory. Richard Nixon, for one, immediately prior to his Watergate resignation ironically stated that the United States would not decline like Rome because of America's moral superiority.

Yet growth rates of Rim nations in the last twenty years do provide some empirical substantiation of this shift. The growth rates for the time period 1960-70 and 1970-77 for merchandise and exports were 15.4% and 12.7%, respectively, for Japan; 29.3% and 25.9% for South Korea; and 21.7% and 15.7% for Taiwan. In the 1980s Japan and the ASEAN nations have expanded at a rate of 4-7%. Korea's estimated growth rate for 1986 was 12%; Taiwan's, 11%, and China's, above 10%.² Of course, there has been a recent and predictable downswing because of overcapacity. But this, as the global stock-markets are predicting, will simply lead to a shakeout, capital concentration and then further expansion.

Amazingly besides the Rim's own social ethos, it is the pathways built by the United States government and multinationals (technological innovation that was almost given to Rim nations, high consumer demand, US government spending in Vietnam) that has largely fuelled Rim growth in the last twenty years. Even if America's markets begin to close, the Rim nations have their own demand, a population with an increasing purchasing capacity (as well as neighbouring Pakistan and India). The region also has the range of labour: highly educated and technical to cheap and relatively 'disciplined', not to mention robots. It has advanced telecommunications and aerospace technologies, manufacturing abilities, global granaries, and electronic and leisure products. Thus, all the productive assets needed for a new centre of capitalism are there.

INNOVATION

The United States saw the opportunities presented by resources of the Rim many years ago and developed its Pacific Rim strategy, not realizing that it was part of the Pacific's own Atlantic strategy. The Japanese have mastered high-tech manufacturing, and now are on the verge of leadership in aerospace, telecommunications, and other sophisticated technologies. They have become innovators largely through their emphasis on R & D. According to senior industrial analyst Sheridan Tatsuno: 'In field after field—ceramics, semiconductors, biotechnology, solar energy, video and stereo equipment, new metals and alloys, lasers, supercomputers, robotics and pharmaceuticals—Japan is catching up and passing the US, not only in product development but in basic research.'³

The US dream of an international division of labour where it provides world management expertise, information, and the most expensive technology is highly unlikely.

The US dream of an international division of labour where it provides world management expertise, information, and the most expensive technology is highly unlikely. Other nations have understood that simply providing raw materials or sites for low value-added manufacturing spells doom. Singapore is attempting to make the transition from traders and manufacturers of computers to programmers and information brokers. They aim to become the world's first computer literate society, and are already innovative in biotechnology developments, a prospect unthinkable five years ago.

Japan is also challenging US dominance of world finance. Already five of the ten largest banks are Japanese.⁴ They are providing the pathways for further penetration by loaning money to US city municipalities (US banks are increasingly outbid by Japanese banks who do not have the same high risk load exposure to South

America) and by purchasing American real estate. While interdependence is a normal state of affairs in the world economic system, dependency on foreign capital rarely leads to balanced and authentic local development, as the local population is employed in routine jobs that do not lead to management or professional/technical learning. This type of business exchange usually invites cultural and political conflict.

Any transition of world power is fraught with numerous battles: cultural, economic, political, and at times military. As capital becomes increasingly global we should expect an increased localism that resists the influx of foreign capital.

Thus the centre becomes the periphery, the leader becomes the follower, but capital continues to accumulate. The challenge for corporations and investors is to identify the most likely societal future and within that framework to identify pockets of need, of inefficiency, of potential growth. Certainly there are enormous amounts of money to be made in this shift from London to Tokyo, from industry to information, from nation to planet. Ahead lies a 1.5 billion dollar superchip market, a rapidly growing software market (10 billion in the United States by the year 1990)⁵ a biotechnology market, a robotics market, a market for professional conflict resolvers, educators, and managers who understand the problems of post-industrial society.

REASONS FOR THE PACIFIC'S RISE

Why has this happened? The Japanese, for one, have managed to run the system better than the West for a variety of reasons. First they have not had the burden of military expenditures. The United States has incredibly high system maintenance and administrative costs. While Reagan and Congress speak about the free market, their primary agenda is to make the world safe from the Soviet Union. Thus, they allowed Pacific Rim penetration into their markets, access to new technologies and patents in exchange for Pacific support of the American Way: liberalism, democracy, and the free market. Military establishments, however, are rarely cost-conscious, and they dry up funds for the civilian sectors. The United States, like Rome and Britain before it, has become top heavy. It cannot retrench its bloated executive and professional class for it is this very group which provides legitimacy and support to the government.

Japan has a very clear vision of its future and has developed highly rational plans to achieve this goal.

Japan has made national development into a central project. It has a very clear vision of its future and has developed highly rational plans to achieve this goal. The Chinese, the Koreans and others have done the same. They have one agenda: long-term economic growth. The United States and the Soviet Union have multiple national agendas. Of course, Japan and other Rim nations

also took advantage of a cyclical upswing in the world economy.

The Japanese have also transcended, at least temporarily, the contradictions of the Western style of capitalism. They are not caught in management-labour disputes; their production is capital intensive and labour intensive, thus ensuring economies of scale and quality; and they have transcended the business/government conflict. They understand that the relationship between business and government must be complementary.

While technocracy has traditionally favoured management over labour, the Japanese have tried to instill positive labour-management relations in their productive processes (e.g. through lifetime employment, unity, a shared vision of the corporation). Silicon Valley (the region of America which is an integral part of the Pacific Shift) has learned from them and offers employees stocks (shared commitment and ownership) in their companies as well as health and other key facilities. These corporations have understood that while economic survival is a fundamental need of humans, once that need is met, people are motivated by creative challenges, by a larger project that links them with the well being of others, of humanity.

The Pacific region also has a social ethic that is supportive of economic expansion. It can be characterized by the following: hard work, savings, a long-term planning perspective, a cyclical time perspective (there are good times and bad times) entrepreneurial skills, an emphasis on education, and organizational and administrative competence.⁶ The goal is market share (excellence), profits (which can be manipulated) are simply a by-product.

FAMILY AND THE MULTINATIONAL

Asian collectivity is easily apparent in names such as Tang and Tanaka which stand for millions of people and in the Chinese case, a family name may 'stand for a *de facto* transnational corporation'.⁷ These family ties provide the solid network for future business relationships. For example, the 'Oriental Rothschilds', as Chinese who have become rich in Hong Kong and now live in the United States have been called,⁸ have an incredible advantage in winning contracts in China thus continuing the impetus for the Pacific centre.

In the long term China will probably be the next world centre.

Although it appears rational for Japan and China to be the next world centre, it is not inevitable. The politics of the Pacific Shift has yet to play itself out, but the next step will probably be Japan leaving the US-Europe (OECD) connection to join the South-East Asia-China connection. In addition, it is highly possible that there will be a US-China trade accord. Japan then, would, be forced to expand its markets in Africa and Europe. But in the long term China will probably be the next world centre.

CHINA

While China may become the next economic powerhouse it will be a very long march.

The Chinese are very familiar with the gains and costs of allowing foreign entry into their marketplace. They know just as well as Coca-Cola and McDonalds that they have a billion consumers. Like the Japanese and Koreans, they believe that they are a superior culture. Finally, while interested in foreign technology, they will not be happy with the lower end of profits, with simply providing cheap labour. Like the Japanese, they will quickly move up to manufacturing, to high technology, and then information and finance brokage. In addition, the United States is already arming the Chinese to fight the Russian menace. It will be only a matter of time until they develop their own sophisticated military devices.

China, however, is entering not a free market era, but an era of political decentralization, which will be characterized by cultural and intellectual innovation.⁹

THE USA AND CALIFORNIA

What role will the United States play in this Pacific Shift? The United States of course believes that it can leave the manufacturing to other countries and concentrate on managing the world system, on technological innovation in space and artificial intelligence. While the number of American Nobel awards is certainly evidence of its intellectual excellence, Pacific Rim nations are rapidly making gains in leading edge technologies as well.

In addition, as a manufacturer, one learns the process. Distribution, marketing one can hire from outside or simply learn oneself. Pacific Asian nations will develop self-reliance. The United States and Europe will be primarily consumers and employees of Pacific Rim multinationals.

The United States and Europe will be primarily consumers and employees of Pacific Rim multinationals.

However, one state of the United States will play a key role in the Pacific Shift—California. California is the world's sixth largest economy and the primary link between the Rim and the United States. The Pacific Rim accounts for about 41% of world business and California handles 80% of the business between the United States and the Pacific Rim.¹⁰ Los Angeles is rapidly becoming the financial centre of the United States. California is a leader in telecommunications, electronic, aerospace, video, and Eastern pop and transpersonal philosophy. Along with Rim nations, California may be able to develop a Pacific Rim tele-community; a community linked through videos, modems and personal computers. Thus a Los Angeles-Tokyo-Beijing triangle is quite likely.

Its residents are multicultural—they are not bound by European intellectual traditions—many of them are indeed immigrants from the Rim nations, educated throughout the world, fluent in numerous languages and at home in the complex world of the Pacific Rim. Thus, while certain areas of the United States will expand—those associated with Pacific Rim trade, culture and ideology—the nation as a whole must become accustomed to a decreased global role and a declining real wage.

BUSINESS ADAPTABILITY

The large multinationals that the United States has given birth to will no longer have national allegiances: they will be truly global in their approach and mission.

For investors and businesses, the most prudent strategy is to forecast future technologies and human needs, develop alternative political and societal scenarios and proactively move into global niches. French and German may have been critical languages yesterday; they will not be tomorrow. Corporations and managers will have to adapt to survive.

It is the manager who is trained in many cultures and many languages who will have the advantage.

It is the manager who is trained in many cultures and many languages who will have the advantage, for it is culture which provides the context for business, for mutual understanding. It is the manager who feels comfortable in Shanghai, Singapore and Los Angeles; who can intuit the future. This type of manager must be able to enter into other cultures, know humility, know that the Western style of doing business is no longer the only way.

CONFLICT AND TRANSITION

But this transition will not be easy. We have seen the decline of Britain. We are seeing the decline of the United States. The shift to the Pacific will be full of conflict. On the horizon we can see anti-Pacific Rim movements emerging.

Economic nationalism, in terms of economic democracy and local consumer movements that attempt to resist the Los Angelization or the Tokyoization of the planet, will be a key trend. These new movements should not be confused with the present trade wars which are largely old centre *versus* new centre battles. They will be anti-nuclear, pro-ecology and pro-limits of accumulation.

They may especially become strong in the Pacific islands where ecology is a matter of survival. These movements will be able to use the technologies that bring about economic expansion for their own needs. They will develop the alternative to the new Pacific civilization, a world without any imperial centres. They remind us of

the cost of 'progress' in virtually any system: ecological destruction, inequality and spiritual decay.

Thus we should not expect a world run by Sino-Japanese civilization to be an improvement over the present world system. There will certainly be new opportunities, but shifts in power do not necessarily lead to a better life.

For business, there are, however, a multitude of opportunities in the growing areas of ecology, conflict resolution, telecommunications, video, space, the ocean, and development needs (eg in meeting the information and post-industrial needs of the ASEAN nations, in terms of management, legal services, computer systems, financial services, leisure, to mention just a few). To take advantage of these opportunities business will have to redefine its mission and its relationship with the Pacific.

CONCLUSION

To understand the Pacific shift, it is important to think in the long term. Today, it is the British who watch Chinese from Hong Kong and Pakistanis from Karachi comment that the British are difficult to train, echoing their own comments of a few decades ago. Centres of power illumine the night for what seems like centuries, but in the historical mind, it is just seconds.

The Pacific shift and the technologies and paradigm that such a change embody will force us to fundamentally

revaluate who we are and what we do. Artificial intelligence and robotics, among other developments, may lead to a world where very few of us still 'work'. The success of the capitalist system may lead to a new world order: one that is beyond the nation state, global in nature. The arena for these changes will be Pacific civilization. And after the Pacific?

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